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April 24, 1997

**EX PARTE**

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APR 24 1997  
Federal Communications Commission

Mr. William F. Caton  
Acting Secretary  
Federal Communications Commission  
1919 M Street, N.W.  
Washington, D.C. 20554

Re: *In the Matters of Federal-State Joint Board on Universal Service and  
Access Charge Reform, CC Docket Nos. 96-45 and 96-262*

Dear Mr. Caton:

Please be advised that today the attached letter was delivered on behalf of SBC Communications Inc. to Greg Rosston, Deputy Chief Economist, Office of Plans and Policy. The information is being provided pursuant to Mr. Rosston's request.

Please associate this letter and the attachments with the above-referenced rule making dockets. In accordance with Commission procedure, an original and one copy of this document are provided for your use.

Please contact me should you have any questions concerning the foregoing.

Very truly yours,

Attachment

cc: Mr. Boasberg  
Mr. Coltharp  
Mr. Casserly  
Mr. Gonzalez  
Mr. Kennard  
Mr. Wright  
Ms. Keeney  
Mr. Metzger  
Ms. Levitz  
Mr. Nakahata  
Mr. Schlichting  
Mr. Garcia

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Deputy Chief Economist  
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Re: *In the Matters of Federal-State Joint Board on Universal Service and  
Access Charge Reform, CC Docket Nos. 96-45 and 96-262*

Dear Mr. Rosston:

The attached information represents SBC Communications Inc.'s estimate of the financial effect of the access charge reform and universal service plan currently under Commission consideration on SBC's telephone operating companies (Southwestern Bell Telephone Company, Pacific Bell, and Nevada Bell). This analysis is based upon current demand levels and does not reflect any projected revenue losses due to increased competition. In addition, current price cap plan productivity offsets are assumed.

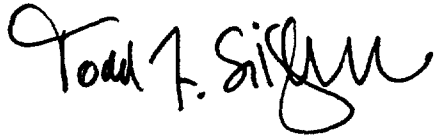
A matrix is also attached documenting the significant financial and employment impacts of the various aspects of the draft access charge reform and universal service plan on SBC.

We would like to reaffirm the concerns expressed in the April 15, 1997 BellSouth/SBC/Pacific Telesis letter to Chairman Reed E. Hundt regarding this proposal. Our particular disagreements are in the following areas: 1) discrimination resulting from increasing the multi-line business and non-primary residence Subscriber Line Charge; 2) discrimination resulting from Presubscribed Interexchange Carrier Charges that are different for multi-line business, non-primary residence, and primary residence/single line business; 3) failure to adequately establish explicit, sufficient, and predictable universal service funding; 4) no access charges on unbundled elements. In addition, SBC is equally concerned over possible attempts to reduce incumbent local exchange carriers' revenues through adoption of exaggerated productivity factors or rate of return retargeting.

Mr. Greg Rosston  
April 24, 1997  
Page 2

Please call me should you have any questions.

Very truly yours,

A handwritten signature in black ink, reading "Todd F. Siffert". The signature is written in a cursive style with a large, looping initial "T" and a stylized "S" for the last name.

Attachments

# **UNIVERSAL SERVICE AND ACCESS REFORM ASSUMPTIONS FOR TENTATIVE FCC PLAN**

## **Universal Service**

### **Subscriber Line Charges (SLCs)**

- Adjusted BFP: existing BFP plus switch port revenues
- SLC increases are the lower of the new cap or adjusted BFP
- FCC may define additional residence lines as those residence lines to the same premises that appear on the same bill
  - SWB currently defines additional lines as those lines to the same premises
- Primary res/single line bus: 1/1/98 -- \$3.50  
1/1/99 -- \$3.50
- Additional residence lines: 1/1/98 -- \$5.00  
1/1/99 -- + inflation + \$1.00
- Multi-line business: 1/1/98 -- adjusted BFP or \$9.50 cap

### **Universal Service Fund**

- \$4.5B (1/1/98) to cover education, health care, low income and rural telephone company high cost funding
  - Recover funding obligation through PICCs
- \$7.0B (1/1/99) to cover education, health care low income, rural telephone company high cost funding and non-rural telephone company high cost funding

- Recover funding obligation through \$1.00 universal service surcharge on every line except primary residence and single line business lines (billed to: unknown)
- Residual funding obligation recovered through PICCs
- Universal service funding base: interstate end user telecommunications service revenues
- Funding obligation:
  - SWB - 1.17%
  - Pacific - 1.12%
- High cost fund (\$2.5B) receipts (based on Hatfield distribution):
  - SWB - 5.18%
  - Pacific - 2.18%

## **Access Reform**

### **Presubscribed Interexchange Carrier Charges (PICCs)**

- PICCs are used to recover: residual common line revenues, residual switch line port revenues, residual TIC revenues and universal service contribution
  - Primary res/single line bus: 1/1/98 -- \$.75  
1/1/99 -- + inflation + \$.50
  - Additional residence lines: 1/1/98 -- \$1.50  
1/1/99 -- + inflation + \$1.00
  - Multi-line business: 1/1/98 -- \$4.50  
1/1/99 -- + inflation + \$1.50

### **Transport Interconnection Charge**

- Re-allocate service related costs to appropriate elements, e.g., move tandem switching TIC costs to tandem switching charge
- Calculate residual TIC revenue for recovery through PICCs

### **Traffic Sensitive Rates**

- Reduce local switching by switch line port costs
- Terminating access rate equals the residual of local switching and transport (less the TIC)
- Originating access rate provides revenue neutrality; new rate capped at pre-restructured level
- Terminating surcharge calculated to recover any revenue shortfall caused

by capping originating

### **Productivity or “X” Factor**

- 1/1/98 view reflects X Factors as currently filed in 1997 annual filing
  - SWB - 4.0%
  - Pacific - 5.3%
- Apply price cap revenue change to PICCs to capture the effect of reducing the TIC

### **Other assumptions**

- Inflation = 2.1%
- Apply inflation to existing rate before calculating new rate
- Headroom is not available
- Access charges do not apply to unbundled elements

# Universal Service & Access Reform FCC Plan

Current Revenues	SW Bell	Pacific Bell	Nevada Bell	Total SRC
Carrier MOU Revenues	\$824,200,000	\$675,853,414	\$28,571,889	\$1,528,625,303
End User Revenues	\$720,600,000	\$759,062,001	\$14,066,951	\$1,493,728,952
Total	\$1,544,800,000	\$1,434,915,415	\$42,638,850	\$3,022,354,265
Universal Service Funding Obligation (LTS)	(\$41,800,000)	(\$48,100,000)	(\$861,778)	(\$88,961,778)
Net Total Revenues	\$1,502,900,000	\$1,388,815,415	\$41,777,072	\$2,933,492,487

Year 1 - 01/01/99

<b>EUCL Charges</b>			
Primary Residence Lines	\$3.50	\$3.50	\$3.50
Secondary Residence Lines	\$5.00	\$5.00	\$5.00
Single Line Business Lines	\$3.50	\$3.50	\$3.50
Multi-line Business Lines	\$6.39	\$5.11	\$6.04

<b>Presubscribed Interexchange Carrier Charges (PICC)</b>			
Primary Residence Lines	\$0.75	\$0.75	\$0.75
Secondary Residence Lines	\$1.50	\$1.50	\$1.50
Single Line Business Lines	\$0.75	\$0.75	\$0.75
Multi-line Business Lines	\$4.50	\$1.86	\$4.50

<b>Minutes of Use Charges</b>			
Originating MOU charge	\$0.0141	\$0.0112	\$0.0223
Terminating MOU charge	\$0.0096	\$0.0112	\$0.0182
Terminating MOU residual	\$0.0000	\$0.0000	\$0.0055

Carrier Revenues	\$792,486,380	\$626,741,407	\$32,374,974	\$1,451,602,761
End User Revenues	\$763,063,620	\$812,474,008	\$16,252,098	\$1,590,789,726
Total	\$1,555,550,000	\$1,439,215,415	\$47,627,072	\$3,042,392,487
Universal Service Funding Obligation	(\$52,650,000)	(\$50,400,000)	(\$5,850,000)	(\$108,900,000)
Net Total Revenues	\$1,502,900,000	\$1,388,815,415	\$41,777,072	\$2,933,492,487



# Universal Service & Access Reform FCC Plan

Year 2 01/01/99	SW Bell	Pacific Bell	Nevada Bell	Total SRC
<b>EUCL Charges</b>				
Primary Residence Lines	\$3.50	\$3.50	\$3.50	
Secondary Residence Lines	\$8.11	\$5.11	\$6.04	
Single Line Business Lines	\$3.50	\$3.50	\$3.50	
Multi-line Business Lines	\$6.39	\$5.11	\$6.04	
<b>USF Receipts</b>				
	\$145,000,000	\$54,500,000	\$0	
<b>Presubscribed Interexchange Carrier Charges (PICC)</b>				
Primary Residence Lines	\$1.09	\$0.38	\$1.27	
Secondary Residence Lines	\$1.09	\$0.38	\$2.53	
Single Line Business Lines	\$1.09	\$0.38	\$1.27	
Multi-line Business Lines	\$1.09	\$0.38	\$6.09	
<b>USF Surcharge</b>				
Secondary Residence Lines	\$1.00	\$0.90	\$1.00	
Multi-line Business Lines	\$1.00	\$0.90	\$1.00	
<b>Minutes of Use Charges</b>				
Originating MOU charge	\$0.0096	\$0.0112	\$0.0220	
Terminating MOU charge	\$0.0096	\$0.0112	\$0.0162	
Terminating MOU residual	\$0.0000	\$0.0000	\$0.0000	
<b>Carrier Revenues</b>	\$554,053,380	\$485,970,103	\$32,292,756	\$1,052,316,239
<b>End User Revenues</b>	\$779,638,620	\$814,649,312	\$15,420,630	\$1,609,708,562
<b>USF Surcharge - Payor unknown</b>	\$66,360,000	\$78,400,000	\$1,227,696	\$145,987,696
<b>Total</b>	\$1,400,052,000	\$1,359,019,415	\$48,941,072	\$2,808,012,487
<b>USF HCF Receipts</b>	\$145,000,000	\$54,500,000	\$0	\$199,500,000
<b>Universal Service Funding Obligation</b>	(\$81,900,000)	(\$78,400,000)	(\$9,100,000)	(\$169,400,000)
<b>Net Total Revenues</b>	\$1,463,152,000	\$1,335,119,415	\$39,841,072	\$2,838,112,487

## Universal Service & Access Reform FCC Plan - Inputs

LN		1998	1999	
1	Total universal service fund	\$4,500,000,000	\$7,000,000,000	
1a	Non-rural LEC high cost funding (HCF)	1999 L1 - 1998 L1	\$2,500,000,000	
		SW Bell	Pacific Bell	Nevada Bell
2	Residence EUCL Months	114,000,000	120,298,944	2,227,929
3	Primary Residence EUCL Months	99,000,000	101,098,956	2,066,181
4	Secondary Residence EUCL Months	15,000,000	19,200,000	161,748
5	Single Line Business EUCL Months	3,840,000	4,634,592	80,995
6	Multi-line Business EUCL Months	51,380,000	67,746,228	1,146,691
7	Total EUCL Months	L2+L5+L6 169,200,000	192,679,776	3,455,615
8	Switched MOUs	38,395,071,813	35,006,544,453	1,150,792,635
9	Originating MOUs	20,651,857,798	19,780,527,792	840,143,174
10	Terminating MOUs	17,743,214,015	15,226,016,661	510,649,461
11	USF Obligation	1.17%	1.12%	0.13%
11a	USF non-rural LEC HCF receipts	5.80%	2.18%	0.00%
12	Current CCL	\$225,800,000	\$140,399,000	\$5,581,406
13	LTS	\$41,900,000	\$46,100,000	\$861,778
14	Adjusted CCL	L12-L13 \$183,900,000	\$94,299,000	\$4,719,628
15	TIC	\$246,000,000	\$132,977,087	\$5,453,485
16	Tandem switching (transport)	\$30,000,000	\$28,300,000	\$1,378,000
17	Analog trunk ports (local switching)	\$17,000,000	\$16,000,000	\$0
18	Host/Remote (transport)	\$14,000,000	\$2,800,000	\$1,731,000
19	Redefined Tandem Transport (transport)	\$8,000,000	\$13,300,000	\$279,000
20	SS7 Elements (transport)	\$7,000,000	\$0	\$558,000
21	Residual TIC Revenues	L15-L16-L17-L18-L19-L20 \$170,000,000	\$72,577,087	\$1,507,485

		<b>SW Bell</b>	<b>Pacific Bell</b>	<b>Nevada Bell</b>
22	<b>Local Switching</b>	<b>\$294,000,000</b>	<b>\$300,944,134</b>	<b>\$12,265,114</b>
23	Switch Port Cost (end user)	\$59,000,000	\$70,000,000	\$2,840,320
24	Traffic Sensitive Switching	L22-L23 \$235,000,000	\$230,944,134	\$9,424,794
25	<b>Adjusted Local Switching</b>	L17+L24 <b>\$252,000,000</b>	<b>\$246,944,134</b>	<b>\$9,424,794</b>
26	<b>Switched Transport</b>	<b>\$58,400,000</b>	<b>\$86,726,232</b>	<b>\$1,675,586</b>
27	<b>Adjusted Switched Transport</b>	L16+L18+L19+L20+L26 <b>\$117,400,000</b>	<b>\$131,126,232</b>	<b>\$5,621,586</b>
28	<b>IS</b>	<b>\$0</b>	<b>\$14,806,961</b>	<b>\$3,598,298</b>
	<b>EUCL Rates</b>			
29	Curent BFP	\$6.04	\$4.75	\$5.22
30	Primary Residence Lines	\$3.50	\$3.50	\$3.50
31	Secondary Residence Lines	\$3.50	\$3.50	\$3.50
32	Single Line Business Lines	\$3.50	\$3.50	\$3.50
33	Multi-line Business Lines	\$6.00	\$4.75	\$5.22
	<b>EUCL Revenues</b>			
34	Primary Residence Lines	L30*L3 \$346,500,000	\$353,846,346	\$7,231,634
35	Secondary Residence Lines	L31*L4 \$52,500,000	\$67,200,000	\$566,118
36	Single Line Business Lines	L32*L5 \$13,440,000	\$16,221,072	\$283,483
37	Multi-line Business Lines	L33*L6 \$308,160,000	\$321,794,583	\$5,985,727
38	<b>Total Current EUCL</b>	SUM(L34..L37) <b>\$720,600,000</b>	<b>\$759,062,001</b>	<b>\$14,066,961</b>
39	Adjusted CCL	L14 \$183,900,000	\$94,289,000	\$4,719,628
40	Switch Port Costs	L23 \$59,000,000	\$70,000,000	\$2,840,320
41	<b>Total adjusted end user rev. req.</b>	L38+L39+L40 <b>\$963,500,000</b>	<b>\$923,361,001</b>	<b>\$21,628,909</b>

# Universal Service & Access Reform FCC Plan - Calculations

Year 1: 01/01/98		SW Bell	Pacific Bell	Nevada Bell
42	Current BFP	\$6.04	\$4.75	\$5.22
43	Switch Port cost per line	L23/L7	\$0.36	\$0.82
44	Adjusted BFP	L42+L43	\$5.11	\$6.04
<b>EUCL Caps</b>				
45	Primary Residence Lines	\$3.50	\$3.50	\$3.50
46	Secondary Residence Lines	\$5.00	\$5.00	\$5.00
47	Single Line Business Lines	\$3.50	\$3.50	\$3.50
48	Multi-line Business Lines	\$9.50	\$9.50	\$9.50
<b>EUCL Rates</b>				
49	Primary Residence Lines	Lessor of L44 or L45	\$3.50	\$3.50
50	Secondary Residence Lines	Lessor of L44 or L46	\$5.00	\$5.00
51	Single Line Business Lines	Lessor of L44 or L47	\$3.50	\$3.50
52	Multi-line Business Lines	Lessor of L44 or L48	\$6.39	\$6.04
<b>EUCL Revenues</b>				
53	Primary Residence Lines	L49*L3	\$346,500,000	\$7,231,634
54	Secondary Residence Lines	L50*L4	\$75,000,000	\$808,740
55	Single Line Business Lines	L51*L5	\$13,440,000	\$283,483
56	Multi-line Business Lines	L52*L6	\$328,123,620	\$6,928,242
57	Total EUCL Revenues	SUM(L53..L56)	\$763,063,620	\$15,252,098
<b>PICC Revenue Requirement</b>				
58	End User Residual	L41-L57	\$200,436,380	\$6,374,811
59	Residual TIC	L21	\$170,000,000	\$1,507,485
60	Universal Service Funding Obligation	1998 L1*L11	\$52,650,000	\$5,850,000
61	Total PICC revenue requirement	L58+L59+L60	\$423,086,380	\$13,732,296
62	PICC revenue requirement per line	L61/L7	\$2.50	\$3.97

		SW Bell	Pacific Bell	Nevada Bell
<b>PICC Caps</b>				
63	Primary Residence Lines	\$0.75	\$0.75	\$0.75
64	Secondary Residence Lines	\$1.50	\$1.50	\$1.50
65	Single Line Business Lines	\$0.75	\$0.75	\$0.75
66	Multi-line Business Lines	\$4.50	\$4.50	\$4.50
<b>PICC Rates &amp; Revenues</b>				
67	Primary Res & Single Line Bus. Lines	<i>Lessor of L63 or L62</i> \$0.75	\$0.75	\$0.75
68	Primary Res & Single Line Bus. Revenues	<i>L67*(L3+L5)</i> \$77,130,000	\$79,300,161	\$1,610,382
69	Remaining PICC rev. reqt.	<i>L61-L68</i> \$345,956,380	\$154,563,919	\$12,121,914
70	Remaining PICC rev. reqt. per line	<i>L69/(L4+L6)</i> \$5.21	\$1.78	\$9.26
71	Secondary Residence Lines	<i>Lessor of L64 or L70</i> \$1.50	\$1.50	\$1.50
72	Secondary Residence Line Revenues	<i>L71*L4</i> \$22,500,000	\$28,800,000	\$242,622
73	Remaining PICC rev. reqt.	<i>L69-L72</i> \$323,456,380	\$125,763,919	\$11,879,292
74	Remaining PICC rev. reqt. per line	<i>L73/L6</i> \$6.30	\$1.86	\$10.36
75	Multiline Business Lines	<i>Lessor of L66 or L74</i> \$4.50	\$1.86	\$4.50
76	Multiline Business Revenues	<i>L75*L6</i> \$231,120,000	\$125,763,919	\$5,160,110
77	Remaining PICC rev. reqt.	<i>L73-L76</i> \$92,336,380	\$0	\$6,719,182
78	Total PICC Revenues	<i>L68+L72+L76</i> \$330,750,000	\$233,864,080	\$7,013,114
<b>MOU Charges</b>				
79	Adjusted Local Switching	<i>L25</i> \$252,000,000	\$246,944,134	\$9,424,794
80	Adjusted Switched Transport	<i>L27</i> \$117,400,000	\$131,126,232	\$5,621,586
81	IS	<i>L28</i> \$0	\$14,806,961	\$3,596,296
82	Total MOU Revenue Requirement	<i>L79+L80+L81</i> \$369,400,000	\$392,877,327	\$18,642,678
83	Terminating MOU rate	<i>L82/L8</i> \$0.0096	\$0.0112	\$0.0162
84	Terminating MOU revenues	<i>L83*L10</i> \$170,707,931	\$170,881,097	\$8,272,449
85	Remaining PICC rev. reqt.	<i>L61-L78</i> \$92,336,380	\$0	\$6,719,182
86	Remaining PICC rev. reqt. per originating MOU	<i>L85/L9</i> \$0.0045	\$0.0000	\$0.0105
87a	Current originating MOU rate			\$0.0223
87	Originating MOU rate	<i>Lessor of L83+L86 or L87a</i> \$0.0141	\$0.0112	\$0.0223
88	Originating MOU revenues	<i>L87*L9</i> \$291,028,449	\$221,996,230	\$14,275,193
89	MOU revenue residual	<i>(L82+L85)-(L84+L88)</i> (\$0)	\$0	\$2,814,219
90	Terminating MOU residual	<i>L89/L10</i> (\$0.0000)	\$0.0000	\$0.0055

Year 2: 01/01/99

		SW Bell	Pacific Bell	Nevada Bell
91	Adjusted BFP	\$6.39	\$5.11	\$6.04
92	Inflation	2.10%	2.10%	2.10%
92a	X-Factor	4.00%	5.30%	5.30%
<b>EUCL Caps</b>				
93	Primary Residence Lines	\$3.50	\$3.50	\$3.50
94	Secondary Residence Lines	$L46*(1+L92) + 1$	\$6.11	\$6.11
95	Single Line Business Lines	\$3.50	\$3.50	\$3.50
96	Multi-line Business Lines	\$9.50	\$9.50	\$9.50
<b>EUCL Rates</b>				
97	Primary Residence Lines	<i>Lessor of L91 or L93</i>	\$3.50	\$3.50
98	Secondary Residence Lines	<i>Lessor of L91 or L94</i>	\$6.11	\$5.11
99	Single Line Business Lines	<i>Lessor of L91 or L95</i>	\$3.50	\$3.50
100	Multi-line Business Lines	<i>Lessor of L91 or L96</i>	\$6.39	\$5.11
<b>EUCL Revenues</b>				
101	Primary Residence Lines	$L97*L3$	\$346,500,000	\$353,846,346
102	Secondary Residence Lines	$L98*L4$	\$91,575,000	\$98,175,304
103	Single Line Business Lines	$L99*L5$	\$13,440,000	\$16,221,072
104	Multi-line Business Lines	$L100*L6$	\$328,123,620	\$346,406,590
105a	USF Receipts	$L11a*L1a$	\$145,000,000	\$54,500,000
105	Total EUCL Revenues	$SUM(L101..L105a)$	\$924,638,620	\$869,149,312
<b>PICC Revenue Requirement</b>				
106	End User Residual	$L41 - L105$	\$38,861,380	\$54,211,689
107	Residual TIC	$L21$	\$170,000,000	\$72,577,087
108	Total funding obligation	$1999 L1*L11$	\$81,900,000	\$78,400,000
109	Non-primary line months	$L4+L6$	86,360,000	86,946,228
110	USF surcharge per line	<i>Lessor of \$1 or L108/L109</i>	\$1.00	\$0.90

		SW Bell	Pacific Bell	Nevada Bell	
111	Total USF surcharge	L109*L110	\$66,360,000	\$78,400,000	\$1,227,686
112	Remaining USF funding obligation	L108-L111	\$15,540,000	\$0	\$7,872,314
113a	Total Price Cap Revenues		\$2,092,000,000	\$1,678,000,000	\$80,500,000
113	X - Factor adjustment	L113a*(L92-L92a)	(\$39,748,000)	(\$53,696,000)	(\$1,936,000)
114	Total PICC revenue requirement	L106+L107+L112+L113	\$184,653,380	\$73,092,776	\$13,650,078
115	PICC revenue requirement per line	L114/L7	\$1.09	\$0.38	\$3.95
PICC Caps					
116	Primary Residence Lines	L63*(1+L92) +.5	\$1.27	\$1.27	\$1.27
117	Secondary Residence Lines	L64*(1+L92) +1	\$2.53	\$2.53	\$2.53
118	Single Line Business Lines	L65*(1+L92) +.5	\$1.27	\$1.27	\$1.27
119	Multi-line Business Lines	L66*(1+L92) +1.5	\$6.09	\$6.09	\$6.09
PICC Rates & Revenues					
120	Primary Res & Single Line Bus. Lines	Lessor of L115 or L116	\$1.09	\$0.38	\$1.27
121	Primary Res & Single Line Bus. Revenues	L120*(L3+L5)	\$112,232,586	\$40,109,859	\$2,717,788
122	Remaining PICC rev. reqt.	L114-L121	\$72,420,794	\$32,982,918	\$10,932,290
123	Remaining PICC rev. reqt. per line	L122/(L4+L6)	\$1.09	\$0.38	\$8.90
124	Secondary Residence Lines	Lessor of L117 or L123	\$1.09	\$0.38	\$2.53
125	Secondary Residence Line Revenues	L124*L4	\$16,369,981	\$7,283,490	\$205,039
126	Remaining PICC rev. reqt.	L122-L125	\$56,050,813	\$25,699,427	\$10,727,251
127	Remaining PICC rev. reqt. per line	L126/L6	\$1.09	\$0.38	\$9.35
128	Multiline Business Lines	Lessor of L119 or L127	\$1.09	\$0.38	\$6.09
129	Multiline Business Revenues	L128*L6	\$56,050,813	\$25,699,427	\$6,988,508
130	Remaining PICC rev. reqt.	L126-L129	\$0	\$0	\$3,738,742
131	Total PICC Revenues	L121+L125+L129	\$184,653,380	\$73,092,776	\$9,911,335
MOU Charges					
132	Adjusted Local Switching	L25	\$252,000,000	\$246,944,134	\$9,424,794
133	Adjusted Switched Transport	L27	\$117,400,000	\$131,126,232	\$5,621,586
134	IS	L28	\$0	\$14,806,961	\$3,596,298
135	Total MOU Revenue Requirement	L132+L133+L134	\$369,400,000	\$392,877,327	\$18,642,678

		SW Bell	Pacific Bell	Nevada Bell
136 Terminating MOU rate	L135/L8	\$0.0096	\$0.0112	\$0.0162
137 Terminating MOU revenue	L136*L10	\$170,707,931	\$170,881,097	\$8,272,449
138 Remaining PICC rev. reqt. per originating MOU	L130/L9	\$0.0000	\$0.0000	\$0.0058
139a Current originating MOU rate				\$0.0223
139 Originating MOU rate	Lessor of L137+L138 or 139a	\$0.0096	\$0.0112	\$0.0220
140 Originating MOU revenues	L139*L9	\$198,692,069	\$221,996,230	\$14,108,971
141 MOU revenue residual	(L135+L130)-(L137+L140)	(\$0)	\$0	\$0
142 Terminating MOU residual	L141/L10	(\$0.0000)	\$0.0000	\$0.0000



## Universal Service & Access Reform FCC Plan - Reconciliation

Current Revenues		SW Bell	Pacific Bell	Nevada Bell	
143	CCL	L12	\$225,800,000	\$140,399,000	\$5,581,406
144	TIC	L15	\$246,000,000	\$132,977,087	\$5,453,485
145	Local switching	L22	\$294,000,000	\$300,944,134	\$12,265,114
146	Switched Transport	L26	\$58,400,000	\$86,726,232	\$1,675,586
147	IS	L28	\$0	\$14,806,961	\$3,596,298
148	EUCL	L38	\$720,600,000	\$759,062,001	\$14,066,961
149	Total		\$1,544,800,000	\$1,434,915,415	\$42,638,850
Year 1 Proposed Revenues					
150	EUCL	L57	\$763,063,620	\$812,474,008	\$15,252,098
151	PICC	L78	\$330,750,000	\$233,864,080	\$7,013,114
152	Originating MOU	L88	\$291,028,449	\$221,996,230	\$14,275,193
153	Terminating MOU	L84	\$170,707,931	\$170,881,097	\$8,272,449
153a	Terminating Residual	L89	(\$0)	\$0	\$2,814,219
154	Total		\$1,555,550,000	\$1,439,215,415	\$47,627,072
Current revenues to Year 1 revenues (Balance check)					
155	Total current revenues	L149	\$1,544,800,000	\$1,434,915,415	\$42,638,850
156	less LTS funding elimination	L13	(\$41,900,000)	(\$46,100,000)	(\$861,778)
157	plus new USF funding obligation	L60	\$52,650,000	\$50,400,000	\$5,850,000
158	net change to revenue required	L156+L157	\$10,750,000	\$4,300,000	\$4,988,222
159	Total Year 1 revenue required	L155+L158	\$1,555,550,000	\$1,439,215,415	\$47,627,072
Year 2 Proposed Revenues					
160	EUCL	sum(L101..104)	\$779,638,620	\$814,649,312	\$15,420,630
161	USF Receipts	L105a	\$145,000,000	\$54,500,000	\$0
162	PICC	L131	\$184,653,380	\$73,092,776	\$9,911,335
163	USF per non-primary line recovery	L111	\$66,360,000	\$78,400,000	\$1,227,686
164	Originating MOU	L140	\$198,692,069	\$221,996,230	\$14,108,971
165	Terminating MOU	L137	\$170,707,931	\$170,881,097	\$8,272,449
165a	Terminating Residual	L141	(\$0)	\$0	\$0
166	Total		\$1,545,052,000	\$1,413,519,415	\$48,941,072

Year 1 revenues to Year 2 revenues (Balance check)			SW Bell	Pacific Bell	Nevada Bell
167	Total Year 1 revenues	L154	\$1,555,550,000	\$1,439,215,415	\$47,627,072
168	Less X factor adjustment	L113	(\$39,748,000)	(\$53,696,000)	(\$1,936,000)
169	Plus additional USF funding obligation	L108-L60	\$29,250,000	\$28,000,000	\$3,250,000
170	net change to revenue required	L168+L169	(\$10,498,000)	(\$25,696,000)	\$1,314,000
171	Total Year 2 revenue required		\$1,545,052,000	\$1,413,519,415	\$48,941,072

## Universal Service and Access Charge Reform Financial Impact Matrix

<i>Proposed Change</i>	<i>Annual Effect</i>	<i>5-Year NPV</i>	<i>Jobs Lost by Year 5*</i>
Increase X Factor	\$77M	\$855M	7,400**
Re-Target Rates to 11.25%	\$301M	\$1.27B	5,400
Non-Uniform SLC Increases	\$100M	\$421M	1,800
Access Revenues at Risk from Unbundled Elements	\$3.8B	\$16B	67,900
Education Funding Obligation			
> Based on Interstate Retail	\$73M	\$305M	1,300
> Based on Intra+Inter Retail	\$233M	\$980M	4,200
Impact of a Non-Uniform PICC	\$249M	\$1,047M	4,200

### NOTES

\* These estimates assume employee-related expense reduction to offset interstate revenue losses.

\*\* Assumes that the revenue losses associated with raising productivity offsets to 6.0% and 7.3% from 4.0% and 5.3%, respectively, are made up by reductions in employee-related expenses only.